

Village of Vicksburg, Michigan

Annual Financial Statements and Supplemental Material

Year Ended June 30, 2006

Village of Vicksburg, Michigan

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|----------------------------------|---|---------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Village of Vicksburg | County Kalamazoo |
| Fiscal Year End June 30, 2006 | Opinion Date November 9, 2006 | Date Audit Report Submitted to State | |

We affirm that:

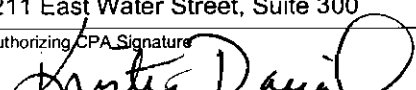
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|--------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) BDO Seidman, LLP | | Telephone Number (269) 382-0170 | |
| Street Address 211 East Water Street, Suite 300 | | City Kalamazoo | State MI |
| Authorizing CPA Signature  | | Printed Name Kristy Daniel | Zip 49007 |
| | | License Number 1101020549 | |

Village of Vicksburg, Michigan

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Village of Vicksburg, Michigan

Elected and Appointed Officers

Elected Officials

Village President - Dan Pryson

Village Trustees:

Rachel Freeman
Christina Klok
Ray Vliek
Jack Westendorp
Jody Tuinier
Bill Brumleve

Administration

Village Manager - Matthew Crawford

Office Administrator - Gloria Kiel

Police Secretary - Linda Langevin

Police Chief - Michael Descheneau

Department of Public Works Director - Ken Schippers



Independent Auditors' Report

Village Council
Village of Vicksburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Major Street, Local Street, and Department of Public Works Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on Pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Certified Public Accountants

November 9, 2006

Village of Vicksburg, Michigan

Management's Discussion and Analysis

As management of the Village of Vicksburg, Michigan (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$5,255,745 (net assets). Of this amount, \$219,041 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$390,388.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$439,785, an increase of \$50,620 in comparison with the prior year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$149,412 or 14% of the total General Fund expenditures.
- The Village entered into \$187,289 in general obligation installment purchase agreements. Total government-wide debt decreased by \$64,213 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The Government-Wide Financial Statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the Government-Wide Financial Statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, legislative, public safety, highways and streets (public works), recreation and culture, and other. The business-type activities of the Village include the Water and Sewer Funds.

The Government-Wide Financial Statements may be found on Pages 12 and 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Village, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village may be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

The Village maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Local Street, and Department of Public Works Funds, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its General, Major Street, Local Street, and Department of Public Works Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the respective budget.

The governmental fund financial statements may be found on Pages 14 to 24 of this report.

Proprietary Funds. The Village's proprietary funds consist of two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, both of which are considered to be major funds of the Village.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements are found on Pages 29 to 50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Village's property tax levy. This supplementary information may be found on Page 53 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$5,255,745 at the close of the most recent fiscal year.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

A substantial portion of the Village's net assets (93%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Vicksburg, Michigan's Net Assets

| <i>June 30,</i> | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| Assets: | | | | | | |
| Current and other assets | \$ 503,192 | \$ 451,318 | \$ 579,378 | \$ 850,701 | \$ 1,082,570 | \$ 1,302,019 |
| Capital assets, net of accumulated depreciation | 2,284,356 | 2,086,925 | 4,834,704 | 3,973,127 | 7,119,060 | 6,060,052 |
| Total Assets | \$ 2,787,548 | \$ 2,538,243 | \$ 5,414,082 | \$ 4,823,828 | \$ 8,201,630 | \$ 7,362,071 |
| Liabilities: | | | | | | |
| Other liabilities | \$ 234,964 | \$ 168,988 | \$ 647,119 | \$ 190,167 | \$ 882,083 | \$ 359,155 |
| Long-term liabilities | | | | | | |
| liabilities outstanding | 629,374 | 562,792 | 1,434,428 | 1,495,285 | 2,063,802 | 2,058,077 |
| Total Liabilities | 864,338 | 731,780 | 2,081,547 | 1,685,452 | 2,945,885 | 2,417,232 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 1,574,316 | 1,494,043 | 3,339,419 | 2,417,985 | 4,913,735 | 3,912,028 |
| Restricted | - | - | 122,969 | 124,253 | 122,969 | 124,253 |
| Unrestricted | 348,894 | 312,420 | (129,853) | 596,138 | 219,041 | 908,558 |
| Total Net Assets | 1,923,210 | 1,806,463 | 3,332,535 | 3,138,376 | 5,255,745 | 4,944,839 |
| Total Liabilities and Net Assets | \$ 2,787,548 | \$ 2,538,243 | \$ 5,414,082 | \$ 4,823,828 | \$ 8,201,630 | \$ 7,362,071 |

A portion of the Village's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The Village may use the remaining balance of unrestricted net assets of \$219,041 (4%) to meet its ongoing obligations to citizens and creditors.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Village of Vicksburg, Michigan's Changes in Net Assets

| <i>June 30,</i> | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 151,216 | \$ 182,052 | \$ 781,030 | \$ 760,547 | \$ 781,030 | \$ 942,599 |
| Operating grants and contributions | 262,955 | 303,762 | - | 176,958 | 262,955 | 480,720 |
| General revenues: | | | | | | |
| Property taxes | 1,121,097 | 987,169 | - | - | 1,121,097 | 987,169 |
| State shared revenue | 234,040 | 235,847 | - | - | 234,040 | 235,847 |
| Other revenue | 83,086 | 48,987 | 44,252 | 15,270 | 127,338 | 64,257 |
| Unrestricted investment earnings | 15,500 | 6,344 | 9,674 | 10,185 | 25,174 | 16,529 |
| Total Revenues | 1,867,894 | 1,764,161 | 834,956 | 962,960 | 2,551,634 | 2,727,121 |
| Expenses: | | | | | | |
| General government | 260,377 | 276,852 | - | - | 260,377 | 276,852 |
| Public safety | 587,659 | 528,867 | - | - | 587,659 | 528,867 |
| Public works | 628,503 | 531,657 | 532,010 | 570,489 | 1,160,513 | 1,102,146 |
| Community and economic development | 99,130 | 137,641 | - | - | 99,130 | 137,641 |
| Recreation and culture | 51,848 | 56,849 | - | - | 51,848 | 56,849 |
| Legislative | 11,351 | 13,950 | - | - | 11,351 | 13,950 |
| Other | 9,502 | 11,610 | - | - | 9,502 | 11,610 |
| Interest and fiscal charges | 46,099 | 40,529 | 85,983 | 87,449 | 132,082 | 127,978 |
| Total Expenses | 1,694,469 | 1,597,955 | 617,993 | 657,938 | 2,312,462 | 2,255,893 |
| Increase in Net Assets Before Transfers | 173,425 | 166,206 | 216,963 | 305,022 | 390,388 | 471,228 |
| Transfers In (Out) | 22,804 | 225,682 | (22,804) | (225,682) | - | - |
| Increase in Net Assets | 196,229 | 391,888 | 194,159 | 79,340 | 390,388 | 471,228 |
| Net Assets, beginning of year | 1,726,981 | 1,414,575 | 3,138,376 | 3,059,036 | 4,865,357 | 4,473,611 |
| Net Assets, end of year | \$ 1,923,210 | \$ 1,806,463 | \$ 3,332,535 | \$ 3,138,376 | \$ 5,255,745 | \$ 4,944,839 |

The Village's net assets increased by \$390,388 during the current fiscal year. One hundred percent of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. In addition, growth is attributable to increased utility rates.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities. Governmental activities increased the Village's net assets by \$196,229. The key element of this increase was due to increased tax collections, particularly in the Market Place Indebtedness on TIF Indebtedness Funds.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities. Business-type activities increased the Village's net assets by \$194,159. The key element of this increase was utility fees.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$439,785, an increase of \$50,620 in comparison with the prior year. The unreserved fund balance of \$359,428 is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$149,412. As a measure of the General Fund's liquidity, the total fund balance represents 14% of total General Fund expenditures.

The fund balance of the Village's General Fund increased by \$66,981 during the current fiscal year.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail.

The unrestricted net assets of the Water Fund at the end of the year amounted to \$379,835. The Water Fund had a total growth in net assets of \$99,270. While the Sewer Fund had a total growth of \$94,889, unplanned capital projects contributed to a deficit of \$509,688 in unrestricted net assets. The unrestricted net assets should be strong enough to be able to meet capital cost needs for the year, as well as emergency capital replacements and a two-month reserve for normal expenditures in case of an extraordinary event. As discussed in Note 3 on Pages 36 and 37, the Sewer Fund is not in compliance with the revenue bond ordinance at June 30, 2006.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights. The General Fund actual revenues were \$53,817 more than the final revenue budget for the General Fund. The additional revenue was due to increased delinquent taxes, licenses and permits, and miscellaneous revenue.

The final expenditure budget for the General Fund was \$103,915 less than the actual expenditures. General Fund expenditures exceeded budget mainly due to unplanned capital outlay needs and associated debt service payments on installment purchase agreements for public safety and recreation and culture.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2006, was \$7,119,060 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, furniture, machinery and equipment, vehicles, and construction in progress. The total increase in the Village's investment in capital assets for the current fiscal year was 17%.

Major capital asset events during the current fiscal year included improvements made in utility infrastructure, street repairs, and contractor equipment.

Village of Vicksburg, Michigan's Capital Assets (net of depreciation)

| <i>June 30,</i> | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|---|------------------------------------|--------------------|-------------------------------------|---------------------|---------------------|--------------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| Land | \$ 886,501 | \$ 761,501 | \$ - | \$ - | \$ 886,501 | \$ 761,501 |
| Construction in progress | - | - | 528,587 | 251,178 | 528,587 | 251,178 |
| Buildings and land improvements | 1,228,261 | 1,211,948 | - | - | 1,228,261 | 1,211,948 |
| Plant, machinery, furniture, and equipment | 169,594 | 113,476 | 410,351 | 424,277 | 579,945 | 537,753 |
| Sewage collector system | - | - | 2,417,618 | 2,004,663 | 2,417,618 | 2,004,663 |
| Water distribution system | - | - | 1,478,148 | 1,293,009 | 1,478,148 | 1,293,009 |
| Total | \$ 2,284,356 | \$2,086,925 | \$ 4,834,704 | \$ 3,973,127 | \$ 7,119,060 | \$6,060,052 |

Additional information on the Village's capital assets may be found in Note 6 on Pages 40 and 41 of this report.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Continued)

Long-Term Debt (in thousands). At the end of the current fiscal year, the Village had total bonded debt outstanding of \$1,561,000. The Village debt represents bonds secured by specified revenue sources (i.e., revenue bonds), limited tax obligations secured by tax increment revenues or state revenue sources further supported by the full faith and credit of the Village and general obligation bonds.

The Village's Outstanding Debt General Obligation and Revenue Bonds

| <i>June 30,</i> | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|--|------------------------------------|------------------|-------------------------------------|--------------------|---------------------|---------------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| Primary Government: | | | | | | |
| General obligation and tax increment bonds | \$ 155,000 | \$190,000 | \$ - | \$ - | \$ 155,000 | \$ 190,000 |
| Revenue bonds | - | - | 1,406,000 | 1,448,000 | 1,406,000 | 1,448,000 |
| Installment purchase agreement | 548,016 | 381,333 | - | - | 548,016 | 381,333 |
| Capital lease | 7,024 | 13,610 | - | - | 7,024 | 13,610 |
| Notes payable | - | 7,939 | - | - | - | 7,939 |
| Municipal purchase agreement | - | - | 89,285 | 107,142 | 89,285 | 107,142 |
| Compensated absences | 69,320 | 62,408 | - | - | 69,320 | 62,408 |
| Total | \$ 779,360 | \$655,290 | \$ 1,495,285 | \$1,555,142 | \$ 2,274,645 | \$ 2,210,432 |

The Village's total debt decreased by \$64,213 (3%) during the current fiscal year. The net reduction was attributable to making debt service payments as they came due.

Additional information on the Village long-term debt may be found in Note 7 on Pages 42 to 44.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Vicksburg area is currently 5.3% (as of June, 2006), which is an increase from a rate of 5.1% a year ago. This compares favorably to the state's average unemployment rate and the national average rate.
- Inflationary trends in the region compare favorably to national indices.

Village of Vicksburg, Michigan

Management's Discussion and Analysis (Concluded)

These factors were considered in preparing the Village's budget for the 2006-06 fiscal year.

During the current fiscal year, fund balance in the General Fund increased to \$225,419. The Village plans to maintain this amount for the 2006-06 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Village Manager
Village of Vicksburg, Michigan
126 N. Kalamazoo Avenue
Vicksburg, Michigan 49097



Government-Wide Financial Statements

| | <i>Primary Government</i> | | | <i>Discretely Presented Component Unit</i> |
|--|--------------------------------|---------------------------------|---------------------|--|
| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <i>Total</i> | <i>Downtown Development Authority</i> |
| June 30, 2006 | | | | |
| Assets: | | | | |
| Cash (Note 4) | \$ 1,270 | \$ - | \$ 1,270 | \$ 6,823 |
| Investments (Note 4) | 335,123 | 232,236 | 567,359 | 41,379 |
| Accounts receivable | 71,126 | 161,127 | 232,253 | - |
| Due from other governmental units | 80,316 | - | 80,316 | - |
| Prepaid expenses | 15,357 | 1,680 | 17,037 | - |
| Restricted assets - Investments | - | 178,599 | 178,599 | - |
| Land (Note 6) | 886,501 | - | 886,501 | - |
| Construction in progress (Note 6) | - | 528,587 | 528,587 | - |
| Capital assets, net of accumulated depreciation (Note 6) | 1,397,855 | 4,306,117 | 5,703,972 | - |
| Other assets | - | 5,736 | 5,736 | - |
| Total Assets | \$ 2,787,548 | \$ 5,414,082 | \$ 8,201,630 | \$ 48,202 |

Village of Vicksburg, Michigan

Government-Wide Financial Statements Statement of Net Assets

| <i>June 30, 2006</i> | <i>Primary Government</i> | | | <i>Discretely Presented Component Unit</i> |
|---|--------------------------------|---------------------------------|---------------------|--|
| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <i>Total</i> | <i>Downtown Development Authority</i> |
| Liabilities: | | | | |
| Accounts payable | \$ 37,955 | \$ 539,873 | \$ 577,828 | \$ - |
| Accrued liabilities | 21,571 | 40,923 | 62,494 | - |
| Deferred Revenue | 25,000 | - | 25,000 | - |
| Internal balances | 452 | (452) | - | - |
| Other | - | 5,918 | 5,918 | - |
| Noncurrent liabilities: | | | | |
| Due within one year (Note 7) | 149,986 | 60,857 | 210,843 | - |
| Due in more than one year (Note 7) | 629,374 | 1,434,428 | 2,063,802 | - |
| Total Liabilities | 864,338 | 2,081,547 | 2,945,885 | - |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 1,574,316 | 3,339,419 | 4,913,735 | - |
| Restricted - Bond indentures | - | 122,969 | 122,969 | - |
| Unrestricted | 348,894 | (129,853) | 219,041 | 48,202 |
| Total Net Assets | 1,923,210 | 3,332,535 | 5,255,745 | 48,202 |
| Total Liabilities and Net Assets | \$ 2,787,548 | \$ 5,414,082 | \$ 8,201,630 | \$ 48,202 |

See accompanying notes to financial statements.

| <i>Year Ended June 30, 2006</i> | | <i>Program Revenues</i> | | |
|--|---------------------|-------------------------------------|---|---|
| | | <i>Charges for Services</i> | <i>Operating Grants and Contributions</i> | <i>Capital Grants and Contributions</i> |
| <i>Expenses</i> | | | | |
| Primary Government: | | | | |
| <i>Governmental activities:</i> | | | | |
| General government | \$ 260,377 | \$ 24,097 | \$ - | \$ - |
| Legislative | 11,351 | - | - | - |
| Public safety | 587,659 | 5,000 | 37,762 | - |
| Public works | 628,503 | 122,119 | 197,322 | - |
| Community and economic development | 99,130 | - | - | - |
| Recreation and culture | 51,848 | - | 27,871 | - |
| Other | 9,502 | - | - | - |
| Interest and fiscal charges | 46,099 | - | - | - |
| <i>Total governmental activities</i> | <i>1,694,469</i> | <i>151,216</i> | <i>262,955</i> | <i>-</i> |
| <i>Business-type activities:</i> | | | | |
| Water | 166,780 | 345,039 | - | - |
| Sewer | 365,230 | 435,991 | - | - |
| Interest and fiscal charges | 85,983 | - | - | - |
| <i>Total business-type activities</i> | <i>617,993</i> | <i>781,030</i> | <i>-</i> | <i>-</i> |
| Total Primary Government | \$ 2,312,462 | \$ 932,246 | \$ 262,955 | \$ - |
| Component Unit - | | | | |
| Downtown Development Authority | \$ - | \$ - | \$ - | \$ - |
| General Revenues: | | | | |
| Property taxes | | | | |
| State shared revenue | | | | |
| Other revenue | | | | |
| Unrestricted investment earnings | | | | |
| Total General Revenues | | | | |
| Transfers In (Out) | | | | |
| Total General Revenues and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets, beginning of year (Note 15) | | | | |
| Net Assets, end of year | | | | |

Village of Vicksburg, Michigan

Government-Wide Financial Statements Statement of Activities

| <i>Net Revenue (Expense) and Changes in Net Assets</i> | | | <i>Discretely Presented Component Unit</i> |
|--|--|--------------|--|
| <i>Primary Government</i> | | | |
| <i>Governmental Activities</i> | <i>Business- Type Activities</i> | <i>Total</i> | <i>Downtown Development Authority</i> |
| \$ (236,280) | \$ - | \$ (236,280) | \$ - |
| (11,351) | - | (11,351) | - |
| (544,897) | - | (544,897) | - |
| (309,062) | - | (309,062) | - |
| (99,130) | - | (99,130) | - |
| (23,977) | - | (23,977) | - |
| (9,502) | - | (9,502) | - |
| (46,099) | - | (46,099) | - |
| (1,280,298) | - | (1,280,298) | - |
| - | 178,259 | 178,259 | - |
| - | 70,761 | 70,761 | - |
| - | (85,983) | (85,983) | - |
| - | 163,037 | 163,037 | - |
| (1,280,298) | 163,037 | (1,117,261) | - |
| - | - | - | - |
| 1,121,097 | - | 1,121,097 | - |
| 234,040 | - | 234,040 | - |
| 83,086 | 44,252 | 127,338 | - |
| 15,500 | 9,674 | 25,174 | 1,343 |
| 1,453,723 | 53,926 | 1,507,649 | 1,343 |
| 22,804 | (22,804) | - | - |
| 1,476,527 | 31,122 | 1,507,649 | 1,343 |
| 196,229 | 194,159 | 390,388 | 1,343 |
| 1,726,981 | 3,138,376 | 4,865,357 | 46,859 |
| \$ 1,923,210 | \$ 3,332,535 | \$ 5,255,745 | \$ 48,202 |

See accompanying notes to financial statements.

| <i>June 30, 2006</i> | <i>General</i> | <i>Major Street</i> | <i>Local Street</i> |
|-----------------------------------|-------------------|-------------------------|-------------------------|
| Assets: | | | |
| Cash (Note 4) | \$ 1,270 | \$ - | \$ - |
| Investments (Note 4) | 90,725 | 48,574 | 45,725 |
| Receivables - | | | |
| Accounts | 67,536 | - | - |
| Due from other governmental units | 65,000 | 11,564 | 3,752 |
| Due from other funds (Note 10) | 32,000 | 62,110 | - |
| Prepaid expenditures | 11,007 | - | - |
| Total Assets | \$ 267,538 | \$ 122,248 | \$ 49,477 |

Liabilities and Fund Balance

| | | | |
|--|-------------------|-------------------|------------------|
| Liabilities: | | | |
| Accounts payable | \$ 17,119 | \$ 534 | \$ 93 |
| Deferred revenue | 25,000 | - | - |
| Due to other governmental units | - | - | - |
| Due to other funds (Note 10) | - | 11,963 | 14,656 |
| Total Liabilities | 42,119 | 12,497 | 14,749 |
| Fund Balance: | | | |
| <i>Reserved:</i> | | | |
| Prepaid expenditures | 11,007 | - | - |
| Long-term receivable from other governmental units | 65,000 | - | - |
| <i>Unreserved</i> | 149,412 | 109,751 | 34,728 |
| Total Fund Balance | 225,419 | 109,751 | 34,728 |
| Total Liabilities and Fund Balance | \$ 267,538 | \$ 122,248 | \$ 49,477 |

Village of Vicksburg, Michigan

Governmental Funds Balance Sheet

| <i>Department of Public Works</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---|---|---|
| \$ - | \$ - | \$ 1,270 |
| 2,040 | 148,059 | 335,123 |
| 2,309 | 1,281 | 71,126 |
| - | - | 80,316 |
| 60,619 | - | 154,729 |
| 4,350 | - | 15,357 |
| <u>\$ 69,318</u> | <u>\$ 149,340</u> | <u>\$ 657,921</u> |
| | | |
| \$ 19,381 | \$ - | \$ 37,127 |
| - | - | 25,000 |
| - | 828 | 828 |
| 49,110 | 79,452 | 155,181 |
| <u>68,491</u> | <u>80,280</u> | <u>218,136</u> |
| | | |
| 4,350 | - | 15,357 |
| - | - | 65,000 |
| (3,523) | 69,060 | 359,428 |
| <u>827</u> | <u>69,060</u> | <u>439,785</u> |
| <u>\$ 69,318</u> | <u>\$ 149,340</u> | <u>\$ 657,921</u> |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Reconciliation of the Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

| <i>June 30, 2006</i> | <i>Amount</i> |
|---|-------------------------|
| Total Fund Balance - | |
| Total Governmental Funds (from Page 14) | \$ 439,785 |
| Amounts Reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of: | |
| Capital assets, at cost | 4,187,929 |
| Accumulated depreciation | <u>(1,903,573)</u> |
| Net capital assets | 2,284,356 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2006, were: | |
| Long-term liabilities and bonds payable | (710,040) |
| Compensated absences | (69,320) |
| Accrued interest on bonds | <u>(21,571)</u> |
| | <u>(800,931)</u> |
| Net Assets of Governmental Activities | \$ 1,923,210 |

See accompanying notes to financial statements.

| <i>Year Ended June 30, 2006</i> | <i>General</i> | <i>Major Street</i> | <i>Local Street</i> |
|--|-------------------|-------------------------|-------------------------|
| Revenues: | | | |
| Taxes | \$ 665,226 | \$ - | \$ - |
| Special assessments | - | 3,803 | - |
| Rental income | 5,000 | - | - |
| Intergovernmental - State shared revenue | 234,040 | 142,514 | 54,808 |
| Grants | 37,762 | - | - |
| Licenses and permits | 7,090 | - | - |
| Fines and forfeitures | 17,008 | - | - |
| Miscellaneous | 103,518 | - | - |
| Investment income | 7,713 | 1,673 | 1,066 |
| Total Revenues | 1,077,357 | 147,990 | 55,874 |
| Expenditures: | | | |
| General government | 211,482 | - | - |
| Legislative | 11,351 | - | - |
| Public safety | 555,080 | - | - |
| Public works | 12,465 | - | - |
| Community and economic development | 65,567 | - | - |
| Recreation and culture | 24,247 | - | - |
| Highways and streets | - | 132,352 | 56,781 |
| Other | 8,400 | - | - |
| Principal | 37,902 | - | - |
| Interest and other charges | 4,929 | - | - |
| Capital outlay | 141,242 | - | - |
| Total Expenditures | 1,072,665 | 132,352 | 56,781 |
| Excess (Deficiency) of Revenues Over Expenditures | 4,692 | 15,638 | (907) |
| Other Financing Sources (Uses): | | | |
| Issuance of installment purchase agreements | 62,289 | - | - |
| Issuance of land contract | - | - | - |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total Other Financing Sources (Uses) | 62,289 | - | - |
| Net Change in Fund Balances | 66,981 | 15,638 | (907) |
| Fund Balance, beginning of year | 158,438 | 94,113 | 35,635 |
| Fund Balance, end of year | \$ 225,419 | \$ 109,751 | \$ 34,728 |

Village of Vicksburg, Michigan

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

| <i>Department of Public Works</i> | <i>Other Governmental Funds</i> | <i>Total Governmental Funds</i> |
|---|---|---|
| \$ 290,814 | \$ 165,058 | \$ 1,121,098 |
| - | - | 3,803 |
| 123,953 | - | 128,953 |
| - | - | 431,362 |
| - | - | 37,762 |
| - | - | 7,090 |
| - | - | 17,008 |
| 1,800 | - | 105,318 |
| 1,725 | 3,323 | 15,500 |
| 418,292 | 168,381 | 1,867,894 |
| - | - | 211,482 |
| - | - | 11,351 |
| - | - | 555,080 |
| 376,588 | 34,586 | 423,639 |
| 26,159 | 7,404 | 99,130 |
| - | - | 24,247 |
| - | - | 189,133 |
| - | - | 8,400 |
| - | 109,333 | 147,235 |
| - | 36,314 | 41,243 |
| 50,185 | 125,000 | 316,427 |
| 452,932 | 312,637 | 2,027,367 |
| (34,640) | (144,256) | (159,473) |
| - | - | 62,289 |
| - | 125,000 | 125,000 |
| - | 23,581 | 23,581 |
| (777) | - | (777) |
| (777) | 148,581 | 210,093 |
| (35,417) | 4,325 | 50,620 |
| 36,244 | 64,735 | 389,165 |
| \$ 827 | \$ 69,060 | \$ 439,785 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

| <i>Year Ended June 30, 2006</i> | <i>Amount</i> |
|--|-------------------|
| Net Change in Fund Balance – Total Governmental Funds (from Page 16) | \$ 50,620 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period. | 197,431 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets: | |
| Issuance of debt | (187,289) |
| Repayments | 147,235 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | |
| Accrued interest | (4,856) |
| Compensated absences | (6,912) |
| Change in Net Assets of Governmental Activities | \$ 196,229 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Positive (Negative)</i> |
|---|--|---------------|---|
| Revenues: | | | |
| <i>Taxes:</i> | | | |
| Real property: | | | |
| Current | \$ 565,000 | \$ 564,565 | \$ (435) |
| Delinquent | 24,000 | 26,188 | 2,188 |
| Personal property: | | | |
| Current | 52,000 | 51,503 | (497) |
| Delinquent | - | 10,330 | 10,330 |
| Service charge in lieu of taxes | 6,000 | 5,595 | (405) |
| Interest and penalties on delinquent taxes | 500 | 7,045 | 6,545 |
| <i>Total Taxes</i> | 647,500 | 665,226 | 17,726 |
| <i>Licenses and Permits</i> | 1,000 | 7,090 | 6,090 |
| <i>Intergovernmental Revenue - State shared</i> | 234,040 | 234,040 | - |
| <i>Grants</i> | 40,000 | 37,762 | (2,238) |
| <i>Investment Income</i> | 3,000 | 7,713 | 4,713 |
| <i>Fines and Forfeitures</i> | 15,000 | 17,008 | 2,008 |
| <i>Rental Income - Fire Department</i> | 7,000 | 5,000 | (2,000) |
| <i>Miscellaneous:</i> | | | |
| Contributions | 53,000 | 27,871 | (25,129) |
| Other | 23,000 | 75,647 | 52,647 |
| <i>Total Miscellaneous</i> | 76,000 | 103,518 | 27,518 |
| Total Revenues | 1,023,540 | 1,077,357 | 53,817 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Continued)

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Positive (Negative)</i> |
|---|--|---------------|---|
| Expenditures: | | | |
| <i>Legislative - Village Council</i> | \$ 19,300 | \$ 11,351 | \$ 7,949 |
| <i>General Government:</i> | | | |
| Village President | 2,000 | 1,238 | 762 |
| Village Manager/Clerk | 99,900 | 112,974 | (13,074) |
| Village Attorney | 15,000 | 528 | 14,472 |
| Administrative Services | 102,800 | 87,461 | 15,339 |
| Municipal Building | 10,050 | 9,281 | 769 |
| <i>Total General Government</i> | 229,750 | 211,482 | 18,268 |
| <i>Public Safety:</i> | | | |
| Police Department | 477,850 | 500,586 | (22,736) |
| Fire Authority | 56,000 | 54,494 | 1,506 |
| <i>Total Public Safety</i> | 533,850 | 555,080 | (21,230) |
| <i>Public Works - Trash and Recycling</i> | 10,800 | 12,465 | (1,665) |
| <i>Community and Economic Development:</i> | | | |
| Planning Commission | 9,900 | 6,972 | 2,928 |
| Economic Development | 51,000 | 58,595 | (7,595) |
| <i>Total Community and Economic Development</i> | 60,900 | 65,567 | (4,667) |
| <i>Recreation and Culture:</i> | | | |
| Community Center | 5,000 | 4,562 | 438 |
| Historic Village | 10,350 | 12,241 | (1,891) |
| Parks and Recreation | 7,500 | 4,315 | 3,185 |
| Recreation Area | 7,300 | 2,616 | 4,684 |
| Clark Park | 1,500 | 513 | 987 |
| <i>Total Recreation and Culture</i> | 31,650 | 24,247 | 7,403 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Positive (Negative)</i> |
|---|--|---------------|---|
| Expenditures (Concluded): | | | |
| <i>Other</i> | \$ 9,000 | \$ 8,400 | \$ 600 |
| <i>Capital Outlay:</i> | | | |
| General Government | 3,500 | 16,818 | (13,318) |
| Public Safety | 21,500 | 73,147 | (51,647) |
| Recreation and Culture | 41,000 | 51,277 | (10,277) |
| <i>Total Capital Outlay</i> | 66,000 | 141,242 | (75,242) |
| <i>Debt Service:</i> | | | |
| Principal | 7,500 | 37,902 | (30,402) |
| Interest and other charges | - | 4,929 | (4,929) |
| <i>Total Debt Service</i> | 7,500 | 42,831 | (35,331) |
| Total Expenditures | 968,750 | 1,072,665 | (103,915) |
| Excess Revenues Over Expenditures | 54,790 | 4,692 | (50,098) |
| Other Financing Sources - | | | |
| Issuance of installment purchase agreements | - | 62,289 | 62,289 |
| Net Change in Fund Balance | 54,790 | 66,981 | 12,191 |
| Fund Balance, beginning of year | 158,438 | 158,438 | - |
| Fund Balance, end of year | \$ 213,228 | \$ 225,419 | \$ 12,191 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Positive (Negative)</i> |
|--|--|-------------------|---|
| Revenues: | | | |
| Intergovernmental - State shared revenue | \$ 125,000 | \$ 142,514 | \$ 17,514 |
| State grants | 150,000 | - | (150,000) |
| Special assessments | 5,000 | 3,803 | (1,197) |
| Investment income | 2,000 | 1,673 | (327) |
| Total Revenues | 282,000 | 147,990 | (134,010) |
| Expenditures: | | | |
| <i>Highways and Streets:</i> | | | |
| Construction | 177,000 | 56,001 | 120,999 |
| Routine maintenance | 43,500 | 47,911 | (4,411) |
| Traffic services maintenance | 8,000 | 12,467 | (4,467) |
| Winter maintenance | 20,000 | 13,995 | 6,005 |
| Administration, engineering, and recordkeeping | 1,000 | 1,978 | (978) |
| Total Expenditures | 249,500 | 132,352 | 117,148 |
| Excess (Deficiency) of Revenues Over Expenditures | 32,500 | 15,638 | (16,862) |
| Other Financing Sources (Uses) - | | | |
| Transfers out | (20,000) | - | 20,000 |
| Net Change in Fund Balance | 12,500 | 15,638 | 3,138 |
| Fund Balance, beginning of year | 94,113 | 94,113 | - |
| Fund Balance, end of year | \$ 106,613 | \$ 109,751 | \$ 3,138 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Local Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Positive (Negative)</i> |
|--|--|------------------|---|
| Revenues: | | | |
| Intergovernmental - State shared revenue | \$ 55,000 | \$ 54,808 | \$ (192) |
| Investment income | 500 | 1,066 | 566 |
| Total Revenues | 55,500 | 55,874 | 374 |
| Expenditures: | | | |
| <i>Highways and Streets:</i> | | | |
| Construction | 1,000 | 979 | 21 |
| Routine maintenance | 33,500 | 38,024 | (4,524) |
| Traffic services maintenance | 2,000 | 5,306 | (3,306) |
| Winter maintenance | 15,000 | 11,495 | 3,505 |
| Administration, engineering, and recordkeeping | 1,000 | 977 | 23 |
| Total Expenditures | 52,500 | 56,781 | (4,281) |
| Excess (Deficiency) of Revenues Over Expenditures | 3,000 | (907) | (3,907) |
| Other Financing Sources - | | | |
| Transfers in | 20,000 | - | (20,000) |
| Net Change in Fund Balance | 23,000 | (907) | (23,907) |
| Fund Balance, beginning of year | 35,635 | 35,635 | - |
| Fund Balance, end of year | \$ 58,635 | \$ 34,728 | \$ (23,907) |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Department of Public Works Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Positive (Negative)</i> |
|--|--|---------------|---|
| Revenues: | | | |
| <i>Taxes:</i> | | | |
| Real property: | | | |
| Current | \$ 250,000 | \$ 247,915 | \$ (2,085) |
| Delinquent | 13,000 | 11,636 | (1,364) |
| Personal property: | | | |
| Current | 23,000 | 22,993 | (7) |
| Delinquent | - | 5,063 | 5,063 |
| Interest and penalties on delinquent taxes | - | 3,207 | 3,207 |
| <i>Total Taxes</i> | 286,000 | 290,814 | 4,814 |
| Rental income | 175,000 | 123,953 | (51,047) |
| Investment income | 1,000 | 1,725 | 725 |
| Miscellaneous | 8,000 | 1,800 | (6,200) |
| Total Revenues | 470,000 | 418,292 | (51,708) |
| Expenditures: | | | |
| <i>Public Works:</i> | | | |
| Department expenses | 339,600 | 375,891 | (36,291) |
| Sidewalk projects | 10,000 | 697 | 9,303 |
| <i>Total Public Works</i> | 349,600 | 376,588 | (26,988) |
| <i>Economic Development</i> | 22,000 | 26,159 | (4,159) |
| <i>Debt Service - Principal</i> | 10,000 | - | 10,000 |
| <i>Capital Outlay</i> | 57,000 | 50,185 | 6,815 |
| Total Expenditures | 438,600 | 452,932 | (14,332) |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Department of Public Works Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Concluded)

| <i>Year Ended June 30, 2006</i> | <i>Original and Final Budget</i> | <i>Actual</i> | <i>Variance with Final Budget Budget Positive (Negative)</i> |
|--|--|---------------|--|
| Excess (Deficiency) of Revenues Over Expenditures | \$ 31,400 | \$ (34,640) | \$ (66,040) |
| Other Financing Sources (Uses): | | | |
| Transfers in | 25,000 | - | (25,000) |
| Transfers out | - | (777) | (777) |
| Total Other Financing Sources (Uses) | 25,000 | (777) | (25,777) |
| Net Change in Fund Balance | 56,400 | (35,417) | (91,817) |
| Fund Balance, beginning of year | 36,244 | 36,244 | - |
| Fund Balance, end of year | \$ 92,644 | \$ 827 | \$ (91,817) |

See accompanying notes to financial statements.



| <i>June 30, 2006</i> | <i>Business-Type Activities Enterprise Funds</i> | | <i>Total</i> |
|---|--|-----------------------|---------------------|
| | <i>Water Fund</i> | <i>Sewer Fund</i> | |
| Assets: | | | |
| Current assets: | | | |
| Investments (Note 4) | \$ 50,872 | \$ 181,364 | \$ 232,236 |
| Accounts receivable | 79,856 | 81,271 | 161,127 |
| Due from other funds (Note 10) | 255,596 | 40 | 255,636 |
| Prepaid expenses | 712 | 968 | 1,680 |
| Total current assets | 387,036 | 263,643 | 650,679 |
| Restricted investments (Note 4): | | | |
| Bond and interest reserve | 104,648 | 39,090 | 143,738 |
| Bond and interest redemption | 24,861 | 10,000 | 34,861 |
| Total restricted investments | 129,509 | 49,090 | 178,599 |
| Property, Plant, and Equipment (Note 6): | | | |
| Construction in progress | - | 528,587 | 528,587 |
| Water distribution system | 2,026,086 | - | 2,026,086 |
| Machinery and equipment | 431,057 | 89,688 | 520,745 |
| Sewage collector system | - | 3,617,209 | 3,617,209 |
| | 2,457,143 | 4,235,484 | 6,692,627 |
| Less accumulated depreciation | 635,901 | 1,222,022 | 1,857,923 |
| Net Property, Plant, and Equipment | 1,821,242 | 3,013,462 | 4,834,704 |
| Other Assets - | | | |
| Loan origination costs | 5,736 | - | 5,736 |
| Total Assets | \$ 2,343,523 | \$ 3,326,195 | \$ 5,669,718 |

Village of Vicksburg, Michigan

Proprietary Funds Statement of Net Assets

| | <i>Business-Type Activities Enterprise Funds</i> | | |
|--|--|-----------------------|--------------|
| <i>June 30, 2006</i> | <i>Water Fund</i> | <i>Sewer Fund</i> | <i>Total</i> |
| Liabilities and Net Assets: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 2,254 | \$ 537,619 | \$ 539,873 |
| Accrued expenses | 32,815 | 8,108 | 40,923 |
| Due to other funds (Note 10) | 14,540 | 240,644 | 255,184 |
| Other | 5,918 | - | 5,918 |
| Current maturities of long-term debt (Note 7) | 29,143 | 31,714 | 60,857 |
| Total current liabilities | 84,670 | 818,085 | 902,755 |
| Long-Term Debt, net of current maturities (Note 7) | 1,111,571 | 322,857 | 1,434,428 |
| Total Liabilities | 1,196,241 | 1,140,942 | 2,337,183 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 680,528 | 2,658,891 | 3,339,419 |
| Restricted for bond indentures | 86,919 | 36,050 | 122,969 |
| Unrestricted | 379,835 | (509,688) | (129,853) |
| Total Net Assets | 1,147,282 | 2,185,253 | 3,332,535 |
| Total Liabilities and Net Assets | \$ 2,343,523 | \$ 3,326,195 | \$ 5,669,718 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Change in Net Assets

| <i>Year Ended June 30, 2006</i> | <i>Business-Type Activities Enterprise Funds</i> | | <i>Total</i> |
|--|--|-----------------------|---------------------|
| | <i>Water Fund</i> | <i>Sewer Fund</i> | |
| Operating Revenue: | | | |
| Charges for services | \$ 345,039 | \$ 435,991 | \$ 781,030 |
| Miscellaneous income | 6,900 | 37,352 | 44,252 |
| Total Operating Revenue | 351,939 | 473,343 | 825,282 |
| Operating Expenses: | | | |
| Treatment costs | - | 85,707 | 85,707 |
| Professional service | 13,514 | 67,351 | 80,865 |
| Transmission fees | - | 65,135 | 65,135 |
| Salaries | 27,464 | 27,462 | 54,926 |
| Supplies | 31,024 | 6,956 | 37,980 |
| General and administrative | 16,703 | 18,388 | 35,091 |
| Repairs and maintenance | 9,010 | 16,104 | 25,114 |
| Insurance | 2,331 | 2,182 | 4,513 |
| Depreciation and amortization | 56,734 | 60,945 | 117,679 |
| Other | 10,000 | 15,000 | 25,000 |
| Total Operating Expenses | 166,780 | 365,230 | 532,010 |
| Operating Income | 185,159 | 108,113 | 293,272 |
| Nonoperating Revenues (Expenses): | | | |
| Investment and rental income | 3,670 | 6,004 | 9,674 |
| Interest expense | (67,532) | (18,451) | (85,983) |
| Total Nonoperating Expenses | (63,862) | (12,447) | (76,309) |
| Income Before Transfers | 121,297 | 95,666 | 216,963 |
| Transfers In | 1,554 | - | 1,554 |
| Transfers Out | (23,581) | (777) | (24,358) |
| Change in Net Assets | 99,270 | 94,889 | 194,159 |
| Net Assets, beginning of year | 1,048,012 | 2,090,364 | 3,138,376 |
| Net Assets, end of year | \$ 1,147,282 | \$ 2,185,253 | \$ 3,332,535 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Proprietary Funds Statement of Cash Flows

| <i>Year Ended June 30, 2006</i> | <i>Business-Type Activities Enterprise Funds</i> | | <i>Total</i> |
|--|--|-----------------------|--------------------|
| | <i>Water Fund</i> | <i>Sewer Fund</i> | |
| Operating Activities: | | | |
| Cash received from customers | \$ 127,525 | \$ 472,012 | \$ 599,537 |
| Cash paid to suppliers and employees | (113,299) | 373,465 | 260,166 |
| Cash Provided by Operating Activities | 14,226 | 845,477 | 859,703 |
| Non-Capital Financing Activities: | | | |
| Transfers in | 1,554 | - | 1,554 |
| Transfers out | (23,581) | (777) | (24,358) |
| Cash Used in Non-Capital Financing Activities | (22,027) | (777) | (22,804) |
| Capital and Related Financing Activities: | | | |
| Principal paid on revenue bond maturities | (28,143) | (31,714) | (59,857) |
| Interest paid on bonds | (67,532) | (18,451) | (85,983) |
| Capital expenditures | (49,630) | (928,670) | (978,300) |
| Cash Used in Capital and Related Financing Activities | (145,305) | (978,835) | (1,124,140) |
| Investing Activities: | | | |
| Interest on investments | 3,670 | 6,004 | 9,674 |
| Net sales of investments | 149,436 | 128,131 | 277,567 |
| Cash Provided by Investing Activities | 153,106 | 134,135 | 287,241 |
| Change in Cash | - | - | - |
| Cash, beginning of year | - | - | - |
| Cash, end of year | \$ - | \$ - | \$ - |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Proprietary Funds Statement of Cash Flows (Concluded)

| <i>Year Ended June 30, 2006</i> | <i>Business-Type Activities Enterprise Funds</i> | | <i>Total</i> |
|---|--|-----------------------|-------------------|
| | <i>Water Fund</i> | <i>Sewer Fund</i> | |
| Reconciliation of Operating Income to Cash Provided by Operating Activities: | | | |
| Operating income | \$ 185,159 | \$ 108,113 | \$ 293,272 |
| Depreciation and amortization | 56,734 | 60,945 | 117,679 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts receivable | (3,272) | (3,830) | (7,102) |
| Due from other funds | (221,144) | 2,599 | (218,545) |
| Prepaid expenses | 2 | (100) | (98) |
| Increase (decrease) in: | | | |
| Accounts payable | (16,813) | 437,048 | 420,235 |
| Accrued expenses | 62 | 58 | 120 |
| Due to other funds | 13,498 | 240,644 | 254,142 |
| Cash Provided by Operating Activities | \$ 14,226 | \$ 845,477 | \$ 859,703 |

See accompanying notes to financial statements.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

1. Description of the Village

The Village is a Michigan General Law Village incorporated under Act 3 of the Public Acts of 1895 and exempt from federal income taxes under the Internal Revenue Code Section 115. The Village operates under a council-manager form of government, and provides services as authorized by its charter.

2. Summary of Significant Accounting Policies

The Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements present the Village (the primary government) and its component units. The following blended component units are included in the Village's reporting entity because of the significance of their operational and financial relationships with the Village.

Blended Component Units

➤ Vicksburg Development Finance Authority -

The Authority was established by the Village on April 17, 1989, in accordance with the Local Development Financing Act, Michigan Act 281, 1986. The basic purpose of this Authority is to eliminate conditions of unemployment, joblessness, and to promote economic growth of the Village.

The Authority is appointed to preside over this specific district and it is authorized to formulate plans and secure financing for public utility improvements, water well, and street developments. These plans must be set forth in a development/taxing finance plan that must be approved by the governing body of the Village. The Village also appoints the Vicksburg Development Finance Authority's board of directors.

➤ Vicksburg Municipal Building Authority -

The Authority was established by the Village on October 1, 1991, in accordance with the provisions of Act 31, Public Acts of Michigan, 1948. The basic purpose of this Authority is to foster economic growth and development and enhance the general public welfare of the Village. The Village appoints the Vicksburg Municipal Building Authority's board of commissioners. The Vicksburg Municipal Building Authority is included in the financial statements as the Market Place Fund.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

➤ *Village of Vicksburg Brownfield Redevelopment Authority -*

The Authority was established by the Village on March 17, 1998, in accordance with the provisions of Act 381, Public Acts of 1996. The basic purpose of this Authority is to promote the revitalization of environmentally distressed areas in the Village. The Village appoints the Village of Vicksburg Brownfield Redevelopment Authority's board of directors.

The following entity meets the requirements of GASB No. 14 for inclusion in the Village's annual report as a discretely presented component unit:

➤ *Vicksburg Downtown Development Authority -*

The Vicksburg Downtown Development Authority (DDA) was organized in 1986 to reestablish and maintain the vitality of business in the Village. The DDA is a component unit and is discretely presented. The criteria for blending are not met because the DDA does not provide services entirely to the Village and the DDA's Board and the Village Council are not substantively the same.

There are no other entities that the Village is financially accountable for or any other organization that the nature and significance of its relationship with the Village is such that exclusion causes the reporting entity's basic financial statements to be misleading or incomplete. The Village determines taxable value of property and bills, collects, and distributes property taxes for several taxing districts. These districts are not included in these basic financial statements because they are entities with independently elected boards and/or commissions who establish their own millage rates and are responsible for all financial control including budgeting and operating surpluses and deficits.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

The Statement of Activities demonstrates the degree that the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first and then unrestricted resources, as they are needed.

The Village reports the following major governmental funds:

- The *General Fund* is used to account for all financial transactions not accounted for in another fund including general operating expenditures of the local units. Revenues are derived primarily from property taxes and state shared revenue, grants, and other intergovernmental revenues.
- The *Major Street Fund* accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Local Street Fund* accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Department of Public Works Fund* accounts for the Village's share of local streets and routine maintenance of village infrastructure. Financing is provided by special revenues from tax revenues.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

The Village reports the following proprietary funds:

- The *Water Fund* accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.
- The *Sewer Fund* accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds, municipalities, and customers. This fund is considered a major fund.

Additionally, the Village reports the following fund types:

- The *Special Revenue Funds* are used to account for specific revenue derived from state and federal grants, General Fund appropriations, and charges for services that are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.
- The *Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, long-term and special assessment obligations, principal, interest, and related costs.

Measurement Focus and Basis of Accounting

Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Village considers revenues available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

All governmental and business-type activities and enterprise funds of the Village follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements.

Budgets and Budgetary Accounting

- *General Budgetary Policies.* The Village manager submits to the Village Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of a resolution.
- *Budget Transfers and Amendments.* The Village manager is authorized to transfer budgeted amounts between departments; however, any revisions altering the total expenditures of any fund must be approved by the Village Council.
- *Budgetary Basis of Accounting.* The formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

Appropriations are authorized by resolution at the fund level. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line item budgets. All unexpended appropriations lapse at year-end.

Cash and Investments

The Village considers cash and cash equivalents including amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date required by the government, when purchased to be cash for the Statement of Cash Flows.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

State statutes authorize the Village to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's investment pool. Investments are reported at fair value, except that commercial paper and U.S. Treasury and Agency obligations with a remaining maturity at the time of purchase of one year or less, are shown at amortized cost. Currently, investments of all funds consist of Negotiable Order of Withdrawal (NOW) deposits and certificates of deposit.

Interfund Transactions

Activity between funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Restricted Assets

Certain proceeds of the Village's proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "restricted" account is used to segregate resources accumulated for debt service payments. Designated accounts are used to report resources set aside to meet various capital requirements.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns of the Government-Wide Financial Statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All fixed assets are valued at historical cost or estimated historical cost where actual cost information is not available. Infrastructure assets have not been included in the current year acquisitions. Donated fixed assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized as projects are constructed.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Depreciation of all exhaustible fixed assets used by the Village is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|--------------|------------|
| Buildings | 5-50 years |
| Improvements | 5-25 years |
| Equipment | 5-20 years |

Compensated Absences

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the Government-Wide and Proprietary Fund Financial Statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

3. Stewardship, Compliance, and Accountability

Budgetary Compliance

The Uniform Budgeting Act (P.A. 621 of 1978) of the state of Michigan requires all General and Special Revenue Funds annually adopt balanced budgets.

Budgets for the General and all Special Revenue Funds are adopted on the modified accrual basis. In the body of the combining and individual basic financial statements, the Village's actual and budgeted expenditures for the budgetary funds have been shown on a functional level basis. The adopted budgets of the Village for these budgetary funds were adopted on a functional basis.

Compliance

The revenue bond ordinance, as amended, governing the Sanitary Sewage Disposal System Revenue Bonds, Series 1979, requires deposits to be made each quarter to a Bond and Interest Redemption Account for payment of principal and interest on the bonds. These deposits are to equal a sum of at least one-half of the amount of the principal due on the ensuing principal due date. The ordinance also requires annual deposits in the sum of \$3,700 until the reserve is at least \$37,000. The Operation and Maintenance Account requires quarterly deposits in a sum sufficient to provide for the payment of the next quarter of all current expenses of administration and operation of the sewer system. The Village was not in compliance with this ordinance at June 30, 2006.

The revenue bond ordinance governing the Water Supply System Revenue Bonds, Series 1991, requires deposits to be made each quarter to a Bond and Interest Redemption Account for payment of principal and interest on the bonds. These deposits are to equal a sum of at least one-half of the amount of the interest due on the next ensuing interest due date and one-quarter of the amount of the principal due on the ensuing principal due date. The ordinance also requires quarterly deposits in the sum of \$2,375 until the Bond and Interest Reserve Account is at least \$95,000.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

The Operation and Maintenance Account requires quarterly deposits in a sum sufficient to provide for the payment of the next quarter's current expenses of administration and operation of the water system. The Village was in compliance with this ordinance at June 30, 2006.

Deficit Fund Balance

The Market Place Indebtedness Fund had a deficit fund balance of \$8,980 due to capital outlays for downtown development. The Village plans to eliminate the deficit through future tax increment finance tax collections.

Expenditures Over Appropriations

P.A. 621 of 1978 Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been shown on a functional basis. The Village incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated, as follows:

| <i>Year Ended June 30, 2006</i> | <i>Excess Expenditures</i> |
|--|--------------------------------|
| General Fund: | \$ |
| <i>General Government</i> - Village Manager/Clerk | 13,074 |
| <i>Public Safety</i> - Police department | 22,736 |
| <i>Public Works</i> - Trash and recycling | 1,665 |
| <i>Community and Economic Development</i> - Economic development | 7,595 |
| <i>Recreation and Culture</i> - Historic Village | 1,891 |
| <i>Capital Outlay</i> | 75,242 |
| <i>Debt Service</i> | 35,331 |
| Special Revenue Bonds: | |
| <i>Major Street Fund</i> - | |
| <i>Highways and Streets:</i> | |
| Routine maintenance | 4,411 |
| Traffic services maintenance | 4,467 |
| Administration, engineering, and recordkeeping | 978 |
| <i>Local Street Fund</i> - | |
| <i>Highways and Streets:</i> | |
| Routine maintenance | 4,524 |
| Traffic services maintenance | 3,306 |
| <i>Department of Public Works</i> - | |
| <i>Public Works:</i> | |
| Department expenses | 36,291 |
| Economic development | 4,159 |
| Transfers out | 777 |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

4. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

The cash deposits are in various financial institutions located in the Village in varying amounts. The Village's policy limits the investing options to a financial institution located in the state, except when bonding ordinances specify a specific financial institution.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the state of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it deposits the Village funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the Village and a specific fund or common account. They are recorded by the Village at cost.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be recovered. The Village does not have a deposit policy for custodial credit risk. At June 30, 2006, the Village's bank balances of \$773,148 were exposed to custodial credit risk as follows:

| | <i>Amount</i> |
|--------------------------------|-------------------|
| Uninsured and uncollateralized | \$ 617,277 |

At June 30, 2006, the Downtown Development Authority's bank balances of \$48,202 were exposed to custodial credit risk as follows:

| | <i>Amount</i> |
|--------------------------------|---------------|
| Uninsured and uncollateralized | None |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Investments

State statutes authorize the Village to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the state of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of June 30, 2006, the Village classifies their Negotiable Order of Withdrawal (NOW) deposits and certificates of deposit as investments.

The Village does not have a formal investment policy.

Interest Rate Risk - Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Village does not have a formal investment policy to place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. The Village does not have a formal investment policy for custodial credit risk over investments.

Credit Risk

State statutes limits investments in commercial paper to rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the state of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Village does not have a formal investment policy for credit risk over investments.

Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

5. Property Taxes

Property taxes attach as an enforceable lien on property on the date levied. Taxes are levied on July 1 and are payable from July 1 to September 15. Taxes are recognized as revenue when collected. Delinquent taxes are recorded as deferred revenue on the last day of February. The Village turns the delinquent real property tax rolls over to the County of Kalamazoo, which then reimburses the Village from its revolving tax fund. This assures the Village of 100% tax collection with the exception of delinquent personal property taxes that are not recorded until realized.

6. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

| <i>Primary Government</i> | <i>Balance, June 30, 2005</i> | <i>Additions</i> | <i>Deductions</i> | <i>Balance, June 30, 2006</i> |
|---|-----------------------------------|-------------------|-------------------|-----------------------------------|
| Governmental Activities: | | | | |
| Capital assets not depreciated - | | | | |
| Land | \$ 761,501 | \$ 125,000 | \$ - | \$ 886,501 |
| Capital assets depreciated: | | | | |
| Improvements | 1,371,162 | 59,423 | - | 1,430,585 |
| Buildings | 692,844 | 37,447 | - | 730,291 |
| Equipment | 1,036,562 | 103,990 | - | 1,140,552 |
| Total capital assets depreciated | 3,100,568 | 200,860 | - | 3,301,428 |
| Less accumulated depreciation: | | | | |
| Improvements | 388,774 | 60,008 | - | 448,782 |
| Buildings | 463,284 | 20,549 | - | 483,833 |
| Equipment | 923,086 | 47,872 | - | 970,958 |
| Total accumulated depreciation | 1,775,144 | 128,429 | - | 1,903,573 |
| Total Governmental Activities - Net Capital Assets | \$ 2,086,925 | \$ 197,431 | \$ - | \$ 2,284,356 |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------|-------------------|
| General government | \$ 49,149 |
| Public safety | 25,419 |
| Public works | 25,158 |
| Recreation and culture | 27,601 |
| Other | 1,102 |
| | <u>\$ 128,429</u> |

| <i>Primary Government</i> | <i>Balance, June 30, 2005</i> | <i>Additions</i> | <i>Deductions</i> | <i>Balance, June 30, 2006</i> |
|--|-----------------------------------|---------------------|-------------------|-----------------------------------|
| Business-Type Activities: | | | | |
| Capital assets not depreciated - Construction in process | \$ 251,178 | \$ 708,064 | \$ 430,655 | <u>\$ 528,587</u> |
| Capital assets depreciated: | | | | |
| Sewage collector system | 3,146,474 | 470,735 | - | 3,617,209 |
| Machinery and equipment | 517,845 | 2,900 | - | 520,745 |
| Water distribution system | 1,798,830 | 227,256 | - | <u>2,026,086</u> |
| Total capital assets depreciated | 5,463,149 | 700,891 | - | <u>6,164,040</u> |
| Less accumulated depreciation: | | | | |
| Sewage collector system | 1,141,811 | 57,780 | - | 1,199,591 |
| Machinery and equipment | 93,568 | 16,826 | - | 110,394 |
| Water distribution system | 505,821 | 42,117 | - | <u>547,938</u> |
| Total accumulated depreciation | 1,741,200 | 116,723 | - | <u>1,857,923</u> |
| Total Business-Type Activities - Net Capital Assets | <u>\$ 3,973,127</u> | <u>\$ 1,292,232</u> | <u>\$ 430,655</u> | <u>\$ 4,834,704</u> |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

7. Long-Term Liabilities

Changes in long-term liabilities were as follows:

| <i>Primary Government</i> | <i>Beginning Balance</i> | <i>Additions</i> | <i>Reductions</i> | <i>Ending Balance</i> | <i>Due Within One Year</i> |
|---|------------------------------|-------------------|-------------------|---------------------------|------------------------------------|
| Governmental Activities: | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation debt | \$ 190,000 | \$ - | \$ 35,000 | \$ 155,000 | \$ 35,000 |
| Installment purchase agreement | 458,437 | 187,289 | 97,710 | 548,016 | 91,872 |
| Capital lease | 13,610 | - | 6,586 | 7,024 | 7,024 |
| Notes payable | 7,939 | - | 7,939 | - | - |
| Total bonds and and notes payable | 669,986 | 187,289 | 147,235 | 710,040 | 133,896 |
| Other liabilities - Compensated absences | 62,408 | 67,433 | 60,521 | 69,320 | 16,090 |
| Total Long-Term Liabilities - Governmental Activities | \$ 732,394 | \$ 254,722 | \$ 207,756 | \$ 779,360 | \$ 149,986 |
| Business-Type Activities - | | | | | |
| Bonds and notes payable: | | | | | |
| Revenue bonds | \$ 1,448,000 | \$ - | \$ 42,000 | \$ 1,406,000 | \$ 43,000 |
| Municipal purchase agreement | 107,142 | - | 17,857 | 89,285 | 17,857 |
| Total Long-Term Liabilities - Business-Type Activities | \$ 1,555,142 | \$ - | \$ 59,857 | \$ 1,495,285 | \$ 60,857 |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Long-term bonds and notes at June 30, 2006, is comprised of the following:

| <i>Primary Government</i> | <i>Final Maturity Dates</i> | <i>Interest Rates</i> | <i>Outstanding Balance</i> |
|---|--|----------------------------------|---------------------------------------|
| Governmental Activities: | | | |
| DDA General Obligation Bonds | 11/1/2009 | 6.600%-8.000% | \$ 155,000 |
| Water Supply Installment Purchase Agreement | 6/30/2018 | 5.875% | 352,000 |
| Land Contract 2006 | 8/17/2007 | 8.000% | 80,000 |
| Land Contract 2003 | 12/1/2013 | 6.000% | 69,860 |
| Police Radios Installment Purchase Agreement | 1/31/2010 | 4.815% | 31,463 |
| Software Installment Purchase | 11/30/2007 | 0.000% | 14,693 |
| Police Vehicle Capital Lease 2006 | 6/17/2007 | 6.450% | 7,024 |
| Total Governmental Activities | | | \$ 710,040 |
| Business-Type Activities: | | | |
| 1979 Sanitary Sewage Disposal System Revenue Bonds | 1/1/2019 | 5.000% | \$ 301,000 |
| 1991 Water Supply System Revenue Bonds | 1/1/2030 | 5.875% | 1,105,000 |
| 1997 Sewer Public Improvement Municipal Purchase Agreement | 9/1/2010 | 6.600% | 53,571 |
| 1997 Water Public Improvement Municipal Purchase Agreement | 9/1/2010 | 6.600% | 35,714 |
| Total Business-Type Activities | | | \$ 1,495,285 |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's Governmental Funds. The annual requirements to pay principal and interest on long-term bonds and notes outstanding for the primary government are as follows:

| <i>Year Ending June 30,</i> | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | |
|-----------------------------|--------------------------------|-------------------|---------------------------------|---------------------|
| | <i>Principal</i> | <i>Interest</i> | <i>Principal</i> | <i>Interest</i> |
| 2007 | \$ 133,896 | \$ 43,868 | \$ 60,857 | \$ 83,022 |
| 2008 | 132,452 | 35,252 | 62,857 | 80,001 |
| 2009 | 85,983 | 26,591 | 63,857 | 76,863 |
| 2010 | 86,911 | 21,040 | 65,857 | 73,666 |
| 2011 | 39,105 | 16,876 | 66,857 | 70,351 |
| 2012-2016 | 157,041 | 49,015 | 288,000 | 306,258 |
| 2017-2021 | 69,682 | 8,741 | 298,000 | 221,291 |
| 2022-2026 | 4,970 | 307 | 297,000 | 140,060 |
| 2027-2031 | - | - | 292,000 | 42,946 |
| | <u>\$ 710,040</u> | <u>\$ 201,690</u> | <u>\$ 1,495,285</u> | <u>\$ 1,094,458</u> |

In June 2005, the Village entered into a capital lease agreement to purchase a police vehicle. The cost of the vehicle under the capital lease was approximately \$20,000 and included in the Government Wide Statement of Net Assets as capital assets at June 30, 2006. Amortization of assets under capital leases is included in depreciation expense in the Government-Wide Statement of Activities.

8. Commitments

Brownfield Development Projects

The Village has made commitments under its Village of Vicksburg Brownfield Development Authority to reimburse developers for development costs to be repaid through future tax collections.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

As of June 30, 2006, the Village has committed to reimburse the Mill of South County for Brownfield development costs from future tax collections. The Village has no obligation to pay if the taxes are not collected. The future expected payments under this agreement is as follows:

| <i>Year Ending June 30,</i> | <i>Payment</i> |
|------------------------------------|-----------------------|
| 2007 | \$ 33,406 |
| 2008 | 32,247 |
| 2009 | 30,996 |
| 2010 | 29,791 |
| 2011 | 28,587 |
| 2012-2016 | 124,913 |
| 2017-2021 | 94,746 |
| Total Payments | \$ 374,686 |

Brownfield development expenditures of approximately \$7,000 under this commitment were recorded in the TIF Indebtedness Fund in the year ended June 30, 2006.

As of June 30, 2006, the developers of Angels Crossings Golf Course incurred costs of approximately \$1,005,000. As the Village is not obligated to begin making payments until property taxes exceed debt service and water fund obligations, the costs incurred by the developers of Angels Crossings are not included in the long-term liabilities of the Government-Wide Statement of Net Assets.

Sanitary Sewage Transport Agreement

On September 14, 2004, the Village entered into a 40-year sanitary sewage transport agreement with a local unit. Under the agreement, the Village will make quarterly payments for operation, maintenance, repair, and replacement costs incurred by the local unit. These payments are recorded as expenditures when paid.

In addition, the Village will make annual payments of approximately \$42,000 plus interest at a rate of 4.4% per annum through September 1, 2008, for capital expenses incurred by the local unit. The local unit will maintain all title to capital assets used under this agreement; therefore, the capital assets and future obligation is not recorded in the Government-Wide Statement of Net Assets. The future obligation of these capital expense payments are as follows:

| <i>Year Ending June 30,</i> | <i>Payment</i> |
|------------------------------------|-----------------------|
| 2007 | 43,452 |
| 2008 | 43,452 |
| 2009 | 43,452 |
| Total Payments | \$ 130,356 |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Transmission fees totaling approximately \$65,000 were recorded in the Sewer Fund for the year ended June 30, 2006.

Operating Leases

The Village's future minimum rental commitments for vehicle leases, accounted for as operating leases at June 30, 2006, are as follows:

| <i><u>Year Ending June 30,</u></i> | <i><u>Payment</u></i> |
|------------------------------------|-----------------------|
| 2007 | \$ 12,100 |
| 2008 | 12,100 |
| 2009 | 12,100 |
| Total Payments | \$ 36,300 |

9. Pension Plan

The Village provides pension benefits for all of its full-time employees. The Village participates in the agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS).

The plan is supported by contributions from the Village and from the investment income earned on plan assets, after expenses. The Village provides an actuarially determined contribution to meet the financial objective. The calculated employer contribution rates derived from this actuarial valuation as of December 31, 2005, are based on the present provisions of the Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220, as embodied in the MERS Plan Document (as revised).

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the following:

Municipal Employees' Retirement System of Michigan
447 North Canal Street
Lansing, Michigan 48917-9755

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

Annual Pension Cost

During the year ended June 30, 2006, the Village's contributions of approximately \$53,000 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal funding method.

In general terms, the normal cost is the cost of benefit rights accruing based on current service. Technically, the normal cost rate is the level percentage-of-salary contribution required each year, with respect to each employee, to accumulate over his or her projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost represents the ultimate cost of the MERS if the unfunded liability is paid and the actual experience of the MERS conforms to the assumptions. Significant actuarial assumptions used include a long-term investment yield rate of 8.0% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. Three year trend information is as follows:

| <i>Year Ended December 31,</i> | <i>Annual Required Contribution (ARC)</i> | <i>Percentage of ARC Contributed</i> | <i>Net Pension Obligation</i> |
|--------------------------------|---|--|---------------------------------------|
| | \$ | % | \$ |
| 2003 | 52,260 | 100 | - |
| 2004 | 66,528 | 100 | - |
| 2005 | 67,896 | 100 | - |

Schedule of funding progress:

| <i>Actuarial Valuation Date</i> | <i>Actuarial Value of Assets</i> | <i>Actuarial Accrued Liability (AAL)</i> | <i>Under- funded AAL (UAAL)</i> | <i>Funded Ratio</i> | <i>Covered Payroll</i> | <i>UAAL as a Percent of Covered Payroll</i> |
|---|--|--|---|-------------------------|----------------------------|---|
| | \$ | \$ | \$ | % | \$ | % |
| <i>December 31,</i> | | | | | | |
| 2003 | 1,206,279 | 1,593,885 | 387,606 | 76 | 461,187 | 84 |
| 2004 | 1,239,985 | 1,695,525 | 455,540 | 73 | 532,728 | 86 |
| 2005 | 1,275,013 | 1,769,520 | 494,507 | 72 | 523,271 | 95 |

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

10. Interfund Receivables, Payables, and Transfers

The amounts due from/to other funds consists of the following:

| | <u>Governmental Activities</u> | | | <u>Business Type</u> | | <u>Total Payable</u> |
|-------------------------|--------------------------------|-----------------------------------|---------------------|----------------------|-------------------|----------------------|
| | <u>General Fund</u> | <u>Department of Public Works</u> | <u>Major Street</u> | <u>Sewer</u> | <u>Water</u> | |
| Due to: | | | | | | |
| Due from: | | | | | | |
| Public Works | \$ 32,000 | \$ - | \$ 17,110 | \$ - | \$ - | \$ 49,110 |
| Major Street | - | 11,963 | - | - | - | 11,963 |
| Local Street | - | 14,656 | - | - | - | 14,656 |
| Nonmajor Governmental | - | - | 45,000 | - | 34,452 | 79,452 |
| Sewer Fund | - | 19,500 | - | - | 221,144 | 240,644 |
| Water Fund | - | 14,500 | - | 40 | - | 14,540 |
| Total Receivable | \$ 32,000 | \$ 60,619 | \$ 62,110 | \$ 40 | \$ 255,596 | \$ 410,365 |

Interfund balances arise in the normal course of business and primarily represent timing differences between dates that transactions are recorded or payments between funds.

Transfers between funds during the year ended June 30, 2006, were as follows:

| | <u>Governmental Activities</u> | | <u>Business Type</u> | | <u>Total Transfers In</u> |
|----------------------------|-----------------------------------|---------------|----------------------|--------------|---------------------------|
| | <u>Department of Public Works</u> | | <u>Sewer</u> | <u>Water</u> | |
| Transfer to: | | | | | |
| Nonmajor Governmental | \$ - | \$ - | \$ 23,581 | | \$ 23,581 |
| Water Fund | 777 | 777 | - | | 1,554 |
| Total Transfers Out | \$ 777 | \$ 777 | \$ 23,581 | | \$ 25,135 |

Interfund transfers are used as sources of financing. The funds receiving the transfers do not require repayment.

Village of Vicksburg, Michigan

Notes to Financial Statements (Continued)

11. Contingent Liabilities

As with any municipality, claims may from time to time be asserted that allege liability on the part of the Village connected with matters of environmental control, civil rights discrimination, and general liability. The Village is involved in various legal proceedings; while any litigation or investigation has an element of uncertainty, the Village believes the uninsured portion of any lawsuit, or claim that is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

12. Deferred Compensation

The Village offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. It is the understanding of management that the Village has no liability for losses under the plan.

13. Risk Management and Related Insurance Issues

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and the public; and natural disasters. In order to minimize its exposure to these risks, the Village participates in one public entity risk pool, the Michigan Municipal Liability and Property Pool (MMLPP) for insurance coverage for liability, auto, crime, and property damage risks. The government pays an annual contribution to the pool for its insurance coverage. The agreements for formation of the pool provide that the pool will be self-sustaining through member contributions. The MMLPP reinsures in excess of \$500,000 for liability and \$100,000 in property loss. The MMLPP reinsures through commercial companies in excess of \$1,000,000. The Village has no pool deductible under the comprehensive general liability policy.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village estimates the range of loss, contingent upon these additional assessments to be immaterial. The pool publishes its own financial reports and may be obtained from the following:

Michigan Municipal Liability and Property Pool
P.O. Box 2054
Southfield, Michigan 48037

Village of Vicksburg, Michigan

Notes to Financial Statements (Concluded)

14. Capital Requirements

To address the need for significant infrastructure capital investments, the Village has prepared a five-year capital spending program that contemplates sewer expenditure needs of approximately \$1,000,000.

15. Restatement of Prior Year Net Assets

During the year ending June 30, 2003, the Village entered into a land contract that was not recorded on the Government-Wide Financial Statements.

As governmental fund types do not record long-term debt obligations, there was no effect on the previously stated fund balance of the governmental funds. However, the debt obligation is an adjustment to the beginning fund net assets for governmental activities in the Government-Wide Financial Statements.

The beginning net assets were adjusted as follows:

| | <i>Governmental Activities</i> |
|--|------------------------------------|
| Beginning Net Assets , as previously reported | \$ 1,806,463 |
| Installment purchase agreement | (77,104) |
| Accrual of interest | (2,378) |
| Total prior period adjustment | (79,482) |
| Beginning Net Assets , as of July 1, 2005 | \$ 1,726,981 |

Supplementary Information



Village of Vicksburg, Michigan

Nonmajor Governmental Funds Combining Balance Sheet

| <i>June 30, 2006</i> | <i>Debt Service</i> | | <i>Total</i> |
|--|---|--------------------------------------|-------------------|
| | <i>Market Place Indebtedness Fund</i> | <i>TIF Indebtedness Fund</i> | |
| Assets: | | | |
| Investments | \$ 70,019 | \$ 78,040 | \$ 148,059 |
| Accounts receivable | 1,281 | - | 1,281 |
| Total Assets | \$ 71,300 | \$ 78,040 | \$ 149,340 |
| Liabilities: | | | |
| Due to other governmental units | \$ 828 | \$ - | \$ 828 |
| Due to other funds | 79,452 | - | 79,452 |
| Total Liabilities | 80,280 | - | 80,280 |
| Fund Balance (Deficit) | (8,980) | 78,040 | 69,060 |
| Total Liabilities and Fund Balances | \$ 71,300 | \$ 78,040 | \$ 149,340 |

Village of Vicksburg, Michigan

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

| <i>Year Ended June 30, 2006</i> | <i>Debt Service</i> | | <i>Total</i> |
|---|---|--------------------------------------|------------------|
| | <i>Market Place Indebtedness Fund</i> | <i>TIF Indebtedness Fund</i> | |
| Revenues: | | | |
| Property taxes | \$ 61,372 | \$ 103,686 | \$ 165,058 |
| Investment income | 962 | 2,361 | 3,323 |
| Total Revenues | 62,334 | 106,047 | 168,381 |
| Expenditures: | | | |
| Debt service: | | | |
| Principal | 80,000 | 29,333 | 109,333 |
| Interest | 12,733 | 23,581 | 36,314 |
| Capital outlay | 125,000 | - | 125,000 |
| Public works | - | 34,586 | 34,586 |
| Economic development | - | 7,404 | 7,404 |
| Total Expenditures | 217,733 | 94,904 | 312,637 |
| Excess of Revenues Over Expenditures | (155,399) | 11,143 | (144,256) |
| Other Financing Sources: | | | |
| Issuance of land contract | 125,000 | - | 125,000 |
| Transfers in | - | 23,581 | 23,581 |
| Total Other Financing Sources | 125,000 | 23,581 | 148,581 |
| Net Change in Fund Balance | (30,399) | 34,724 | 4,325 |
| Fund Balance, beginning of year | 21,419 | 43,316 | 64,735 |
| Fund Balance (Deficit), end of year | \$ (8,980) | \$ 78,040 | \$ 69,060 |

Village of Vicksburg, Michigan

Property Tax Levy

| | <i>General Fund</i> | | | |
|---------------|----------------------|-----------------|----------------------|-----------------|
| | <i>June 30, 2006</i> | | <i>June 30, 2005</i> | |
| | <i>Real</i> | <i>Personal</i> | <i>Real</i> | <i>Personal</i> |
| Taxable Value | \$ 50,077,383 | \$ 5,032,300 | \$ 45,135,472 | \$ 4,637,000 |
| Mills | 11.2 | 11.2 | 11.4 | 11.4 |
| Levy | 560,867 | 56,362 | 514,544 | 52,862 |
| IFT | 15,465 | 7,794 | 17,761 | 11,606 |
| Total Levy | \$ 576,332 | \$ 64,156 | \$ 532,305 | \$ 64,468 |

| | <i>Department of Public Works</i> | | | |
|---------------|-----------------------------------|-----------------|----------------------|-----------------|
| | <i>June 30, 2006</i> | | <i>June 30, 2005</i> | |
| | <i>Real</i> | <i>Personal</i> | <i>Real</i> | <i>Personal</i> |
| Taxable Value | \$ 50,077,383 | \$ 5,032,300 | \$ 45,135,472 | \$ 4,637,000 |
| Mills | 5.0 | 5.0 | 5.0 | 5.0 |
| Levy | 250,387 | 25,162 | 225,677 | 23,185 |
| IFT | 6,904 | 3,479 | 7,790 | 5,090 |
| Total Levy | \$ 257,291 | \$ 28,641 | \$ 233,467 | \$ 28,275 |



**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Village Council
Village of Vicksburg, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Vicksburg, Michigan (the Village), as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate memorandum dated November 27, 2006.

This report is intended solely for the information and use of the Village Council, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

November 9, 2006